GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5224
ANSWERED ON:29.04.2005
VIOLATION BY INSURANCE COMPANIES
Madhwaraj Smt. Manorama

Will the Minister of FINANCE be pleased to state:

(a) whether the Insurance Regulatory Development Authority is seized of unethical ways of operation by insurance companies in selling insurance products of intricate nature through telemarketing;

(b) if so, the details thereof;

(c) whether the IRDA proposes to enforce strict vigilance over such companies selling insurance products through multi-level marketing;

(d) if so, the details thereof;

(e) whether many insurance companies selling life insurance policies are tying up with those selling general insurance policies in violation of IRDA regulations; and

(f) if so, the steps being taken by the Government to curb such unethical practices?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM):

(a) and (b) Insurance Policies are legal contracts. Insurer accepts the risk based on the material information submitted in the proposal form and after collecting the premium, issues the policies, clearly mentioning the scope of cover, terms, conditions and exclusions etc. Standard policies are also canvassed through telemarketing.

(c) and (d) Insurance Regulatory and Development Authority (IRDA) is concerned about the wrong selling practices taking place through multi-level marketing channels. Based on the complaints received, IRDA has initiated action against some of the companies. IRDA has suspended issuing of fresh Corporate Agency licence by the insurers. IRDA has made specific provisions in the draft guidelines on Corporate Agency Regulations discouraging multi level marketing, which have been circulated to insurers recently.

(e) and (f) IRDA has declined the requests from some of the insurers for entering into such tie ups as the provisions of Insurance Act, 1938 and IRDA Regulations do not allow granting of permission for such an arrangement.